

Message Text

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PAGE 01 PORTO 00194 021833Z

14

ACTION XMB-04

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FM AMCONSUL PORTO ALEGRE

TO SECSTATE WASHDC 0493

INFO AMEMBASSY BRASILIA

AMCONSUL RIO DE JANEIRO

UNCLAS PORTO ALEGRE 0194

E.O.11652: NA

TAGS: BPRO

SUBJ: CFF EXTENSION - BANCO REGIONAL DE DESENVOLVIMENTO DO
EXTREMO SUL

REF: STATE 190352

1. CONSULATE HOPES THAT EXIMBANK WILL BE ABLE TO APPROVE BRDE'S REQUEST FOR RENEWING CFF LINE. BRDE. AS THE REGIONAL DEVELOPMENT BANK AND THE PRINCIPAL FINANCIAL AGENT OF BRAZIL'S NATIONAL DEVELOPMENT BANK (BNDE) FOR THE THREE SOUTHERN STATES OF RIO GRANDE DO SUL, SANTA CATARINA AND PARANA, IS A PRESTIGIOUS INSTITUTION ACTIVELY INVOLVED IN THE PLANNING AND FINANCING OF MAJOR PROJECTS - E.G. THE THIRD PETROCHEMICAL POLE IN RIO GRANDE DO SUL. BESIDES THE STRONG LOAN DEMAND ARISING FROM THESE PROJECTS, THE CONSULATE ALSO SUPPORTS APPROVAL OF BRDE'S CFF LINE BECAUSE: (1) WE ARE NOT AWARE OF ANY SIGNIFICANT NEW BUSINESS GENERATED BY EXIMBANK FOR A CONSIDERABLE LENGTH OF TIME IN RIO GRANDE DO SUL. (2) THE COMPETITIVE POSITION OF US BUSINESS IN THIS AREA, IN COMPARISON TO EUROPEAN BUSINESS PENETRATION, IS WEAK.

2. CONSULATE DOES NOT UNDERSTAND DELAY IN APPROVAL OF BRDE'S REQUEST BUT IS ANXIOUS TO HELP IN ANY WAY EXIMBANK DEEMS NECESSARY FOR A FULL EVALUATION OF THIS CASE. WE UNDERSTAND THAT BRDE USED TO BE AN ACTIVE CFF CLIENT OF EXIMBANK, FULLY UTILIZING A CFF LINE AT THE SAME LEVEL REQUESTED NOW -- \$5 MILLION DOLLARS. BANK OFFICIALS HAVE TOLD US THEY ARE NOT INTERESTED IN REQUESTING AN INCREASE
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ALTHOUGH, AS ALLUDED TO IN PREVIOUS PARAGRAPH, THEIR TOTAL LENDING

ACTIVITY IS EXPECTED TO CONTINUE TO EXPAND. ALSO WE ARE NOT AWARE OF A NEGATIVE CHANGE IN BRDE'S FINANCIAL SITUATION SINCE THE LAST CFF LINE IN 1974. APPARENTLY THE CFF LINE WAS DROPPED OR LAPSED IN 1975 WHEN BRDE'S MANAGEMENT CHANGED WITH THE CHANGE OF GOVERNMENT IN THE THREE SOUTHERN STATES THE BANK SERVES. NEVERTHELESS, BRDE'S NEW MANAGEMENT HAS BEEN ACTIVELY PURSUING RENEWAL, INCLUDING RECENT DISCUSSIONS WITH EXIMBANK OFFICIALS HERE AND IN WASHINGTON. UNDERSTAND A POINT OF CONTENTION HAS BEEN EXIMBANK'S REQUEST FOR A BNDE GUARANTEE, WHICH BRDE, THE MAJOR DISPENSER OF BNDE FUNDS IN THE REGION, CLAIMS AS UNNECESSARY, GIVEN ITS OWN CREDIT WORTHINESS, AND WHAT IT CONSIDERS TO BE THE RELATIVELY SMALL AMOUNT OF EXPORT CREDIT BEING REQUESTED FROM EXIMBANK.

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